

**REPORT OF THE AUDIT OF THE  
HARRISON COUNTY  
FISCAL COURT**

**For The Year Ended  
June 30, 2017**



**MIKE HARMON  
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**MIKE HARMON**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky  
The Honorable Matthew G. Bevin, Governor  
William M. Landrum III, Secretary  
Finance and Administration Cabinet  
The Honorable Alex Barnett, Harrison County Judge/Executive  
Members of the Harrison County Fiscal Court

Independent Auditor's Report

**Report on the Financial Statement**

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Harrison County Fiscal Court, for the year ended June 30, 2017, and the related notes to the financial statement which collectively comprise the Harrison County Fiscal Court's financial statement as listed in the table of contents.

**Management's Responsibility for the Financial Statement**

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws. This includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Audit Guide for Fiscal Court Audits* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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### **Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles**

As described in Note 1 of the financial statement, the financial statement is prepared by the Harrison County Fiscal Court on the basis of the accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

### **Adverse Opinion on U.S. Generally Accepted Accounting Principles**

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Harrison County Fiscal Court as of June 30, 2017, or changes in financial position or cash flows thereof for the year then ended.

### **Opinion on Regulatory Basis of Accounting**

In our opinion, the financial statement referred to above presents fairly, in all material respects, the fund balances of the Harrison County Fiscal Court as of June 30, 2017, and their respective cash receipts and disbursements, and budgetary results for the year then ended, in accordance with the basis of accounting practices prescribed or permitted by the Department for Local Government described in Note 1.

### **Other Matters**

#### *Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of the Harrison County Fiscal Court. The Budgetary Comparison Schedules and the Capital Asset Schedule are presented for purposes of additional analysis and are not a required part of the financial statement; however, they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws.

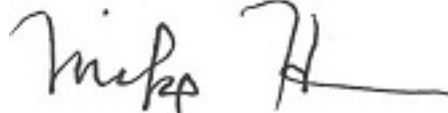
The accompanying Budgetary Comparison Schedules and Capital Asset Schedule are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Budgetary Comparison Schedules and Capital Asset Schedule are fairly stated in all material respects in relation to the financial statement as a whole.

To the People of Kentucky  
The Honorable Matthew G. Bevin, Governor  
William M. Landrum III, Secretary  
Finance and Administration Cabinet  
The Honorable Alex Barnett, Harrison County Judge/Executive  
Members of the Harrison County Fiscal Court

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 26, 2018, on our consideration of the Harrison County Fiscal Court's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Harrison County Fiscal Court's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike Harmon", with a long horizontal line extending to the right.

Mike Harmon  
Auditor of Public Accounts

April 26, 2018

**HARRISON COUNTY OFFICIALS****For The Year Ended June 30, 2017****Fiscal Court Members:**

Alex Barnett	County Judge/Executive
Stanley F. Lemons	Magistrate
Paula Haviland	Magistrate
Brad Marshall	Magistrate
Scott Herrington	Magistrate
Sam Pierce	Magistrate
William Fritz	Magistrate
Larry Wells	Magistrate
Bradley Copes	Magistrate

**Other Elected Officials:**

Bradley Vaughn	County Attorney
Steve Slade	Jailer
Linda Furnish	County Clerk
Teresa Furnish	Circuit Court Clerk
Shain Stephens	Sheriff
Carla Harney	Property Valuation Administrator
Tom Ware	Coroner

**Appointed Personnel:**

Melody McClure	County Treasurer
Judy Smith	Finance Officer
Jennifer Renaker	Tax Administrator



**HARRISON COUNTY  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES  
IN FUND BALANCES - REGULATORY BASIS**

**For The Year Ended June 30, 2017**

**HARRISON COUNTY**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES**  
**IN FUND BALANCES - REGULATORY BASIS**

**For The Year Ended June 30, 2017**

	<b>Budgeted Funds</b>		
	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>
<b>RECEIPTS</b>			
Taxes	\$ 4,441,454	\$	\$
In Lieu Tax Payments	4,526		
Excess Fees	21,999		
Licenses and Permits	11,114		
Intergovernmental	306,779	1,890,766	115,597
Charges for Services			
Miscellaneous	220,674	86,715	342
Interest	7,341	501	
Total Receipts	<u>5,013,887</u>	<u>1,977,982</u>	<u>115,939</u>
<b>DISBURSEMENTS</b>			
General Government	1,551,633		
Protection to Persons and Property	305,411		898,072
General Health and Sanitation	394,569		
Social Services	108,627		
Recreation and Culture	16,355		
Roads		2,304,183	
Airports	10,000		
Bus Services	9,905		
Other Transportation Facilities and Services	3,000		
Debt Service	124,329	21,883	
Administration	963,152	297,556	31,318
Total Disbursements	<u>3,486,981</u>	<u>2,623,622</u>	<u>929,390</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>1,526,906</u>	<u>(645,640)</u>	<u>(813,451)</u>
<b>Other Adjustments to Cash (Uses)</b>			
Lease Proceeds		286,444	
Transfers From Other Funds	17,205	340,000	816,000
Transfers To Other Funds	(1,446,865)		
Total Other Adjustments to Cash (Uses)	<u>(1,429,660)</u>	<u>626,444</u>	<u>816,000</u>
Net Change in Fund Balance	97,246	(19,196)	2,549
Fund Balance - Beginning	<u>1,246,596</u>	<u>28,751</u>	<u>15,309</u>
Fund Balance - Ending	<u>\$ 1,343,842</u>	<u>\$ 9,555</u>	<u>\$ 17,858</u>
<b>Composition of Fund Balance</b>			
Bank Balance	\$ 906,545	\$ 252,250	\$ 33,067
Less: Outstanding Checks	(62,703)	(242,695)	(15,209)
Certificates of Deposit	500,000		
Money Market Account			
Fund Balance - Ending	<u>\$ 1,343,842</u>	<u>\$ 9,555</u>	<u>\$ 17,858</u>

The accompanying notes are an integral part of the financial statement.

**HARRISON COUNTY**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES**  
**IN FUND BALANCES - REGULATORY BASIS**  
**For The Year Ended June 30, 2017**  
**(Continued)**

<u>Budgeted Funds</u>				<u>Unbudgeted Fund</u>	
<u>Federal Grants Fund</u>	<u>Parks &amp; Recreation Fund</u>	<u>E-911 Fund</u>	<u>Shropshire Fund</u>	<u>Public Properties Corporation Fund</u>	<u>Total Funds</u>
\$	\$	\$ 167,688	\$	\$	\$ 4,609,142
					4,526
					21,999
			3,097		14,211
13,428	15,274	376,205	1,000	483,000	3,202,049
	43,688		21,282		64,970
	149,588	159,609	10,493		627,421
	49	432	2,084	16	10,423
<u>13,428</u>	<u>208,599</u>	<u>703,934</u>	<u>37,956</u>	<u>483,016</u>	<u>8,554,741</u>
7,315					1,558,948
	238,723	702,622			2,144,827
6,223			68,194		468,986
					108,627
					16,355
					2,304,183
					10,000
					9,905
					3,000
				481,500	627,712
	35,814			1,500	1,329,340
<u>13,538</u>	<u>274,537</u>	<u>702,622</u>	<u>68,194</u>	<u>483,000</u>	<u>8,581,883</u>
(110)	(65,938)	1,312	(30,238)	16	(27,143)
					286,444
7,315	99,800	159,500	30,861		1,470,681
(7,205)	(10,000)		(6,611)		(1,470,681)
<u>110</u>	<u>89,800</u>	<u>159,500</u>	<u>24,250</u>		<u>286,444</u>
0	23,862	160,812	(5,988)	16	259,301
22,811	5,879	154,944	362,782	10,898	1,847,970
<u>\$ 22,811</u>	<u>\$ 29,741</u>	<u>\$ 315,756</u>	<u>\$ 356,794</u>	<u>\$ 10,914</u>	<u>\$ 2,107,272</u>
\$ 22,811	\$ 37,556	\$ 316,927	\$ 2,830	\$ 10,914	\$ 1,582,900
	(7,815)	(1,171)	(763)		(330,356)
			230,000		730,000
			124,727		124,727
<u>\$ 22,811</u>	<u>\$ 29,741</u>	<u>\$ 315,756</u>	<u>\$ 356,794</u>	<u>\$ 10,914</u>	<u>\$ 2,107,271</u>

The accompanying notes are an integral part of the financial statement.

**INDEX FOR NOTES  
TO THE FINANCIAL STATEMENT**

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**HARRISON COUNTY  
NOTES TO FINANCIAL STATEMENT**

**June 30, 2017**

**Note 1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

The financial statement of Harrison County includes all budgeted and unbudgeted funds under the control of the Harrison County Fiscal Court. Budgeted funds included within the reporting entity are those funds presented in the county's approved annual budget and reported on the quarterly reports submitted to the Department for Local Government. Unbudgeted funds may include non-fiduciary financial activities, private purpose trust funds, and internal service funds that are within the county's control. Unbudgeted funds may also include any corporation to act as the fiscal court in the acquisition and financing of any public project which may be undertaken by the fiscal court pursuant to the provisions of Kentucky law and thus accomplish a public purpose of the fiscal court. The unbudgeted funds are not presented in the annual approved budget or in the quarterly reports submitted to the Department for Local Government.

**B. Basis of Accounting**

The financial statement is presented on a regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. This basis of accounting involves the reporting of fund balances and the changes therein resulting from cash inflows (cash receipts) and cash outflows (cash disbursements) to meet the financial reporting requirements of the Department for Local Government and the laws of the Commonwealth of Kentucky.

This regulatory basis of accounting differs from GAAP primarily because the financial statement format does not include the GAAP presentations of government-wide and fund financial statements, cash receipts are recognized when received in cash rather than when earned and susceptible to accrual, and cash disbursements are recognized when paid rather than when incurred or subject to accrual.

Generally, except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to sale ninety days following April 15.

**C. Basis of Presentation**

**Budgeted Funds**

The fiscal court reports the following budgeted funds:

**General Fund** - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

**Road Fund** - This fund is for road and bridge construction and repair. The primary sources of receipts for this fund are state payments for truck license distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the general fund.

**Jail Fund** - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of receipts for this fund are reimbursements from the state and federal governments, payments from other counties for housing prisoners, and transfers from the general fund. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the general fund.

**HARRISON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2017**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**C. Basis of Presentation (Continued)**

Federal Grants Fund - The primary purpose of this fund is to account for federal grants funds received and expended.

Parks & Recreation Fund - The primary purpose of this fund is to account for receipts and disbursements of the Parks and Recreation Program operated by the county and the City of Cynthiana.

E-911 Fund - The purpose of this fund is to account for receipts and disbursements of E-911.

Shropshire Fund - The purpose of this fund is to account for the receipts and disbursements of the Shropshire Animal Shelter.

**Unbudgeted Funds**

The fiscal court reports the following unbudgeted funds:

Public Properties Corporation Fund - The primary purpose of this fund is to account for the proceeds and debt service of revenue bonds that were issued to fund construction of public buildings. The Department for Local Government does not require the fiscal court to budget this fund.

**D. Budgetary Information**

Annual budgets are adopted on a regulatory basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board and according to the laws of Kentucky as required by the state local finance officer.

The county judge/executive is required to submit estimated receipts and proposed disbursements to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the state local finance officer. Disbursements may not exceed budgeted appropriations at the activity level.

The state local finance officer does not require the public properties corporation fund to be budgeted. Bond indentures and other relevant contractual provisions require specific payments to and from this fund annually.

**E. Harrison County Elected Officials**

Kentucky law provides for election of the officials listed below from the geographic area constituting Harrison County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the Board of Education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statement of the Harrison County Fiscal Court.

**HARRISON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2017**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**E. Harrison County Elected Officials (Continued)**

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

**F. Deposits and Investments**

The government's fund balance is considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition. The government's fund balance includes cash and cash equivalents and investments.

KRS 66.480 authorizes the county to invest in obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

**G. Long-term Obligations**

The fund financial statement recognizes bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as disbursements. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as disbursements. Debt proceeds are reported as other adjustments to cash.

**Note 2. Deposits**

The fiscal court maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240, the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the fiscal court and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

**Custodial Credit Risk - Deposits**

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 66.480(1)(d) and KRS 41.240. As of June 30, 2017, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

**HARRISON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2017**  
**(Continued)**

**Note 3. Transfers**

The table below shows the interfund operating transfers for fiscal year 2017.

	General Fund	Federal Grants Fund	Parks & Recreation Fund	Shropshire Fund	Total Transfers In
General Fund	\$	\$ 7,205	\$ 10,000	\$	\$ 17,205
Road Fund	340,000				340,000
Jail Fund	816,000				816,000
Federal Grants Fund	7,315				7,315
Parks & Recreation Fund	99,800				99,800
E-911 Fund	159,500				159,500
Shropshire Fund	24,250			6,611	30,861
Total Transfers Out	<u>\$ 1,446,865</u>	<u>\$ 7,205</u>	<u>\$ 10,000</u>	<u>\$ 6,611</u>	<u>\$ 1,470,681</u>

Reason for transfers:

To move resources from and to the general fund and other funds, for budgetary purposes, to the funds that will expend them.

**Note 4. Long-term Debt**

**A. First Mortgage Revenue Refunding Bonds, Series 2010**

On July 1, 2010, the Harrison County Public Properties Corporation issued \$4,520,000 in First Mortgage Revenue Refunding Bonds, Series 2010, for the purpose of retiring the debt incurred for the construction of a justice center. The refunding bond issue covers a 12 year period with an annual principal payment due each March 1, beginning March 1, 2011. Interest is payable semi-annually each September 1 and March 1, beginning September 1, 2010. The county subsequently entered into a sub-lease agreement with the Administrative Office of the Courts in order to provide funding to meet annual debt service requirements. The total principal balance outstanding was \$2,090,000 as of June 30, 2017.

Fiscal Year Ended June 30	Principal	Interest
2018	\$ 400,000	\$ 74,650
2019	370,000	62,650
2020	435,000	50,626
2021	435,000	35,400
2022	450,000	18,000
Totals	<u>\$ 2,090,000</u>	<u>\$ 241,326</u>



**HARRISON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2017**  
**(Continued)**

**Note 4. Long-term Debt (Continued)**

**B. Financing Obligation, General Obligation Lease 2013, (Courthouse Renovation)**

On May 1, 2014, Harrison County incurred a loan for \$769,000 for courthouse renovation. The debt issue covers a nine and a half year period with yearly principal payment due each December 1, beginning December 1, 2014. Interest is payable semi-annually each December 1 and June 1, beginning December 1, 2014. The total principal balance outstanding was \$559,000 as of June 30, 2017.

Fiscal Year Ended June 30	Principal	Interest
2018	\$ 74,000	\$ 13,181
2019	76,000	11,288
2020	78,000	9,367
2021	79,000	7,362
2022	82,000	5,330
2023-2024	170,000	4,324
Totals	<u>\$ 559,000</u>	<u>\$ 50,852</u>

**C. Capital Lease, Sheriff's Vehicles**

On July 14, 2015, Harrison County signed a lease agreement with a bank for \$136,197 for the purchase of five vehicles. The payments are scheduled to be made monthly, beginning on August 14, 2015. The final payment on the lease is due July 14, 2018. The total principal balance outstanding was \$50,032 as of June 30, 2017.

Fiscal Year Ended June 30	Principal	Interest
2018	\$ 46,149	\$ 521
2019	3,883	6
	<u>\$ 50,032</u>	<u>\$ 527</u>

**D. Financing Obligation, General Obligation Lease, 2017 (Trucks)**

On July 15, 2016, Harrison County signed a lease agreement with a bank for \$286,444 for the purchase of two vehicles. Interest payments are scheduled to be made monthly, beginning on August 20, 2016. The final payment on the lease is due January 20, 2018. The total principal balance outstanding was \$286,444 as of June 30, 2017.

Fiscal Year Ended June 30	Principal	Interest
2018	\$ 286,444	\$ 7,581
	<u>\$ 286,444</u>	<u>\$ 7,581</u>

**HARRISON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2017**  
**(Continued)**

**Note 4. Long-term Debt (Continued)**

**E. Changes In Long-term Debt**

Long-term Debt activity for the year ended June 30, 2017, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue Refunding Bonds	\$ 2,485,000	\$	\$ 395,000	\$ 2,090,000	\$ 400,000
Financing Obligations	726,358	286,444	117,326	895,476	406,593
Total Long-term Debt	<u>\$ 3,211,358</u>	<u>\$ 286,444</u>	<u>\$ 512,326</u>	<u>\$ 2,985,476</u>	<u>\$ 806,593</u>

**Note 5. Commitment Debt**

**A. Cynthiana/Harrison County Public Properties Corporation**

In June 1995, the Harrison County Fiscal Court and the City of Cynthiana formed the Cynthiana/Harrison County Public Properties Corporation (Corporation) for the acquisition and financing of the Cynthiana/Harrison County Community Service Building project. Upon formation of the Corporation, individual and corporate donations were received and the city received a \$350,000 Community Development Block Grant (CDBG) grant to construct the community service building. The donations and grant were expected to be approximately \$500,000 short of the anticipated construction costs. The Corporation executed a loan agreement with Farmers National Bank to draw up to \$499,000 in order to complete the project. In March 2013, the Corporation refinanced the project with Bank Trust Financial Corp in the amount of \$350,000. The rent collected from several community service organizations is used to service the debt. The Corporation is managed by the city, and there has been no audit performed for the Corporation in numerous years. Should the Corporation default on the loan at Farmers National Bank, the county could be responsible for one-half of the outstanding liabilities. As of June 30, 2017, the outstanding principal balance was \$269,950.

**B. Cynthiana/Harrison County Industrial Authority**

In January 1999, the Harrison County Fiscal Court adopted a resolution, which obligates the county (in conjunction with the City of Cynthiana's matching offer) to cover 50 percent of any expenses "not covered from net sales proceeds of land by the Cynthiana/Harrison County Industrial Authority" (Authority). This obligation was made in support of the Authority's project to develop an industrial park in Harrison County. In this resolution, the county also committed \$250,000 in order for the Authority to receive an additional \$1,500,000 federal grant. The county's commitment represents one-half of the matching funds needed (in conjunction with the city's matching offer) for the Authority to receive the additional funding. During the fiscal year ended June 30, 2017, the county paid the Authority \$36,000 for their share of the operating expenses of the Authority.

**C. Cynthiana/Berry/Harrison County E911**

In April 1999, the Harrison County Fiscal Court passed an ordinance for "the establishment of an Enhanced 911 Emergency Telephone Service within Cynthiana and Harrison County, Kentucky." An E-911 Advisory Board (Board) was created with the City of Cynthiana and the county equally represented on the Board. The city and county subsequently entered into an interlocal agreement which states, in part, "[t]he cost of the E-911 program shall be funded from the receipts from a telephone service surcharge, which has been levied by the County to be

**HARRISON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2017**  
**(Continued)**

**Note 5. Commitment Debt (Continued)**

**C. Cynthiana/Berry/Harrison County E911 (Continued)**

collected by the appropriate telephone operating company on each eligible business and residential telephone line operating within Harrison County. The county may fix or change the rate of the telephone surcharge to be applied, but it shall be sufficient to meet the budgetary requirements for the operation of the E-911 program. If at any time moneys collected from the telephone surcharge are insufficient to meet the needs and obligations of the Board for the operation of the E-911 program, the remaining costs shall be apportioned evenly (50/50) between the City and the County and immediately forwarded to the Harrison County Treasurer for use by the Board in the operation of the Center.” The assessment fee during the year of audit was four dollars per month for each telephone line within the city and county, and during the fiscal year ended June 30, 2017, the county contributed \$159,500 toward the operating expenses of the E-911 program and the city contributed \$159,500.

**D. Cynthiana/Harrison County Department of Parks & Recreation**

In November 2012, the Harrison County Fiscal Court passed an ordinance “relating to the adoption of an inter-local agreement between the city of Cynthiana and Harrison County, Kentucky for the operation of a recreation program in Harrison County, Kentucky.” A Board of the Cynthiana-Harrison County Department of Parks and Recreation (Board) was established with the City of Cynthiana and the county equally represented on the Board. The city and the county shall share equally in the funding of operational costs of the program unless otherwise agreed by the parties. Each quarter, the city and county shall pay into the program an amount equal to one-fourth of their annual budget allotment for parks and recreation. The parties to this agreement shall not be required to make additional contributions other than those set out in each party’s annual budget. During the fiscal year ended June 30, 2017, the county contributed \$99,800 toward the operation of the Parks and Recreation Program and the city contributed \$99,800.

**Note 6. Employee Retirement System**

The fiscal court has elected to participate, pursuant to KRS 78.530, in the County Employees Retirement System (CERS), which is administered by the Board of Trustees of the Kentucky Retirement Systems (KRS). This is a cost-sharing, multiple-employer, defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute.

The county’s contribution for FY 2015 was \$410,871, FY 2016 was \$401,868, and FY 2017 was \$407,444.

Nonhazardous

Nonhazardous covered employees are required to contribute five percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008, are required to contribute six percent of their salary to be allocated as follows: five percent will go to the member’s account and one percent will go to the KRS insurance fund.

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on or after January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own accounts. Nonhazardous covered employees contribute five percent of their annual creditable compensation. Nonhazardous members also contribute one percent to the health insurance fund which is not credited to the member’s account and is not refundable. The employer contribution rate is set annually by the KRS Board of

**HARRISON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2017**  
**(Continued)**

**Note 6. Employee Retirement System (Continued)**

Directors based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a four percent employer pay credit. The employer pay credit represents a portion of the employer contribution.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008, must meet the rule of 87 (member's age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

The county's contribution rate for nonhazardous employees was 18.68 percent.

Hazardous

Hazardous covered employees are required to contribute eight percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008, are required to contribute nine percent of their salary to be allocated as follows: eight percent will go to the member's account and one percent will go to the KRS insurance fund.

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on or after January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan.

Members in the plan contribute a set percentage of their salary each month to their own accounts. Hazardous members contribute eight percent of their annual creditable compensation and also contribute one percent to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A hazardous member's account is credited with a seven and one-half percent employer pay credit. The employer pay credit represents a portion of the employer contribution.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008, aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

The county's contribution rate for hazardous employees was 31.06 percent.

Health Insurance Coverage

CERS also provides post-retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

**HARRISON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2017**  
**(Continued)**

**Note 6. Employee Retirement System (Continued)**

Health Insurance Coverage (Continued)

<b>Years of Service</b>	<b>% Paid by Insurance Fund</b>	<b>% Paid by Member through Payroll Deduction</b>
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

Hazardous employees whose participation began on or after July 1, 2003, earn 15 dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon the death of a hazardous employee, the employee's spouse receives ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

KRS issues a publicly available annual financial report that includes financial statements and required supplementary information on CERS. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

KRS also issues a proportionate share audit report that includes the total pension liability for CERS determined by actuarial valuation as well as each participating county's proportionate share. The Schedules of Employer Allocations and Pension Amounts by Employer report and the related actuarial tables are available online at <https://kyret.ky.gov/Employers/Resources/Pages/GASB.aspx>. The complete actuarial valuation report, including all actuarial assumptions and methods, is also available on the website or can be obtained as described in the paragraph above.

**Note 7. Deferred Compensation**

The Harrison County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees, and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permit all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

**HARRISON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2017**  
**(Continued)**

**Note 7. Deferred Compensation (Continued)**

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing the Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

**Note 8. Health Reimbursement Account/Flexible Spending Account**

The Harrison County Fiscal Court established a flexible spending account to provide employees an additional health and dependent care benefit. The county has contracted with a third-party administrator to administer the plan. The plan provides a debit card to each eligible employee providing various amounts based on how much the employee contributes into the account at the beginning of each fiscal year to pay for qualified medical expenses. As of August 2016, the county discontinued use of the flexible spending account.

**Note 9. Insurance**

For the fiscal year ended June 30, 2017, the Harrison County Fiscal Court was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

**Note 10. Conduit Debt - Healthcare Improvement Revenue Bond**

On December 15, 2016, the county issued a healthcare improvement revenue bond to provide financial assistance, up to \$4,500,000, for the acquisition and installation of an information technology system to be owned and operated by the Harrison County Memorial Hospital, Inc. This bond is deemed to be in the public interest and is in accordance with KRS 103.210. Although conduit debt obligations bear the Harrison County's name as issuer, the fiscal court has no obligation for such debt beyond the resources provided by a lease or loan with the third party on whose behalf it is issued. Neither the fiscal court nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statement.

**Note 11. Related Party Transactions**

The Harrison County Fiscal Court did business with a company owned by a magistrate's son in the amount of \$3,358.

**HARRISON COUNTY  
BUDGETARY COMPARISON SCHEDULES  
Supplementary Information - Regulatory Basis**

**For The Year Ended June 30, 2017**

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**HARRISON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**

**For The Year Ended June 30, 2017**

	<b>GENERAL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 4,265,000	\$ 4,265,000	\$ 4,441,454	\$ 176,454
In Lieu Tax Payments	4,100	4,100	4,526	426
Excess Fees	36,000	36,000	21,999	(14,001)
Licenses and Permits	11,000	11,000	11,114	114
Intergovernmental	383,600	401,942	306,779	(95,163)
Miscellaneous	246,000	252,842	220,674	(32,168)
Interest	6,500	6,500	7,341	841
Total Receipts	<u>4,952,200</u>	<u>4,977,384</u>	<u>5,013,887</u>	<u>36,503</u>
<b>DISBURSEMENTS</b>				
General Government	1,602,586	1,689,681	1,551,633	138,048
Protection to Persons and Property	298,598	321,788	305,411	16,377
General Health and Sanitation	358,068	415,829	394,569	21,260
Social Services	111,456	122,656	108,627	14,029
Recreation and Culture	69,730	22,230	16,355	5,875
Airports	10,000	10,000	10,000	
Bus Services	10,000	10,000	9,905	95
Other Transportation Facilities and Services	3,000	3,000	3,000	
Debt Service	124,370	124,370	124,329	41
Capital Projects	55,000			
Administration	1,214,026	1,039,464	963,152	76,312
Total Disbursements	<u>3,856,834</u>	<u>3,759,018</u>	<u>3,486,981</u>	<u>272,037</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>1,095,366</u>	<u>1,218,366</u>	<u>1,526,906</u>	<u>308,540</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds			17,205	17,205
Transfers To Other Funds	(2,003,066)	(2,003,066)	(1,446,865)	556,201
Total Other Adjustments to Cash (Uses)	<u>(2,003,066)</u>	<u>(2,003,066)</u>	<u>(1,429,660)</u>	<u>573,406</u>
Net Change in Fund Balance	(907,700)	(784,700)	97,246	881,946
Fund Balance - Beginning	907,700	907,700	1,246,596	338,896
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 123,000</u>	<u>\$ 1,343,842</u>	<u>\$ 1,220,842</u>

**HARRISON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2017**  
**(Continued)**

	<b>ROAD FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 1,427,641	\$ 1,455,546	\$ 1,890,766	\$ 435,220
Miscellaneous	60,000	60,000	86,715	26,715
Interest	550	550	501	(49)
Total Receipts	<u>1,488,191</u>	<u>1,516,096</u>	<u>1,977,982</u>	<u>461,886</u>
<b>DISBURSEMENTS</b>				
Roads	2,051,597	2,142,335	2,304,183	(161,848)
Debt	29,350	21,917	21,883	34
Capital Projects	100,000	50,000		50,000
Administration	364,500	359,100	297,556	61,544
Total Disbursements	<u>2,545,447</u>	<u>2,573,352</u>	<u>2,623,622</u>	<u>(50,270)</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,057,256)</u>	<u>(1,057,256)</u>	<u>(645,640)</u>	<u>411,616</u>
<b>Other Adjustments to Cash (Uses)</b>				
Lease Proceeds	50,000	50,000	286,444	236,444
Transfers From Other Funds	985,256	985,256	340,000	(645,256)
Total Other Adjustments to Cash (Uses)	<u>1,035,256</u>	<u>1,035,256</u>	<u>626,444</u>	<u>(408,812)</u>
Net Change in Fund Balance	(22,000)	(22,000)	(19,196)	2,804
Fund Balance - Beginning	<u>22,000</u>	<u>22,000</u>	<u>28,751</u>	<u>6,751</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 9,555</u>	<u>\$ 9,555</u>

**HARRISON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2017**  
**(Continued)**

	<b>JAIL FUND</b>			
	<u>Budgeted Amounts</u>		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>RECEIPTS</b>				
Intergovernmental	\$ 112,200	\$ 112,200	\$ 115,597	\$ 3,397
Charges for Services	1,000	1,000		(1,000)
Miscellaneous	1,000	1,000	342	(658)
Total Receipts	<u>114,200</u>	<u>114,200</u>	<u>115,939</u>	<u>1,739</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	816,660	927,160	898,072	29,088
Administration	34,100	36,600	31,318	5,282
Total Disbursements	<u>850,760</u>	<u>963,760</u>	<u>929,390</u>	<u>34,370</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(736,560)</u>	<u>(849,560)</u>	<u>(813,451)</u>	<u>36,109</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	721,560	721,560	816,000	94,440
Total Other Adjustments to Cash (Uses)	<u>721,560</u>	<u>721,560</u>	<u>816,000</u>	<u>94,440</u>
Net Change in Fund Balance	(15,000)	(128,000)	2,549	130,549
Fund Balance - Beginning	<u>15,000</u>	<u>15,000</u>	<u>15,309</u>	<u>309</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (113,000)</u>	<u>\$ 17,858</u>	<u>\$ 130,858</u>

**HARRISON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2017**  
**(Continued)**

	<b>FEDERAL GRANTS FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 1,032,000	\$ 1,039,315	\$ 13,428	\$ (1,025,887)
Total Receipts	<u>1,032,000</u>	<u>1,039,315</u>	<u>13,428</u>	<u>(1,025,887)</u>
<b>DISBURSEMENTS</b>				
General Government		7,315	7,315	
Protection to Persons and Property	30,000	30,000		30,000
General Health and Sanitation	1,000,000	1,000,000	6,223	993,777
Total Disbursements	<u>1,030,000</u>	<u>1,037,315</u>	<u>13,538</u>	<u>1,023,777</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>2,000</u>	<u>2,000</u>	<u>(110)</u>	<u>(2,110)</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds			7,315	7,315
Transfers To Other Funds	(7,000)	(7,000)	(7,205)	(205)
Total Other Adjustments to Cash (Uses)	<u>(7,000)</u>	<u>(7,000)</u>	<u>110</u>	<u>7,110</u>
Net Change in Fund Balance	(5,000)	(5,000)	0	5,000
Fund Balance - Beginning	<u>5,000</u>	<u>5,000</u>	<u>22,811</u>	<u>17,811</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 22,811</u>	<u>\$ 22,811</u>

**HARRISON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2017**  
**(Continued)**

	<b>PARKS &amp; RECREATION FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Charges for Other Services	\$ 47,000	\$ 47,000	\$ 43,688	\$ (3,312)
Intergovernmental	40,000	40,000	15,274	(24,726)
Miscellaneous	190,700	190,700	149,588	(41,112)
Interest	100	100	49	(51)
Total Receipts	<u>277,800</u>	<u>277,800</u>	<u>208,599</u>	<u>(69,201)</u>
<b>DISBURSEMENTS</b>				
Recreation and Culture	359,100	371,100	238,723	132,377
Administration	60,500	48,500	35,814	12,686
Total Disbursements	<u>419,600</u>	<u>419,600</u>	<u>274,537</u>	<u>145,063</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(141,800)</u>	<u>(141,800)</u>	<u>(65,938)</u>	<u>75,862</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	99,800	99,800	99,800	
Transfers To Other Funds			(10,000)	(10,000)
Total Other Adjustments to Cash (Uses)	<u>99,800</u>	<u>99,800</u>	<u>89,800</u>	<u>(10,000)</u>
Net Change in Fund Balance	(42,000)	(42,000)	23,862	65,862
Fund Balance - Beginning	<u>42,000</u>	<u>42,000</u>	<u>5,879</u>	<u>(36,121)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 29,741</u>	<u>\$ 29,741</u>

**HARRISON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2017**  
**(Continued)**

	<b>E-911 FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 165,000	\$ 165,000	\$ 167,688	\$ 2,688
Intergovernmental	243,320	348,320	376,205	27,885
Miscellaneous	160,500	160,500	159,609	(891)
Interest	100	100	432	332
Total Receipts	<u>568,920</u>	<u>673,920</u>	<u>703,934</u>	<u>30,014</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property Administration	723,520	833,520	702,622	130,898
Total Disbursements	<u>728,520</u>	<u>833,520</u>	<u>702,622</u>	<u>130,898</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(159,600)</u>	<u>(159,600)</u>	<u>1,312</u>	<u>160,912</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	<u>159,500</u>	<u>159,500</u>	<u>159,500</u>	
Total Other Adjustments to Cash (Uses)	<u>159,500</u>	<u>159,500</u>	<u>159,500</u>	
Net Change in Fund Balance	(100)	(100)	160,812	160,912
Fund Balance - Beginning	<u>100</u>	<u>100</u>	<u>154,944</u>	<u>154,844</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 315,756</u>	<u>\$ 315,756</u>

**HARRISON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2017**  
**(Continued)**

<b>SHROPSHIRE FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Licenses and Permits	\$ 3,700	\$ 3,700	\$ 3,097	\$ (603)
Intergovernmental	660	1,000	1,000	-
Charges for Services	20,000	20,000	21,282	1,282
Miscellaneous	5,000	5,000	10,493	5,493
Interest	3,250	3,250	2,084	(1,166)
Total Receipts	<u>32,610</u>	<u>32,950</u>	<u>37,956</u>	<u>5,006</u>
<b>DISBURSEMENTS</b>				
General Health and Sanitation	<u>70,560</u>	<u>80,900</u>	<u>68,194</u>	<u>12,706</u>
Total Disbursements	<u>70,560</u>	<u>80,900</u>	<u>68,194</u>	<u>12,706</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(37,950)</u>	<u>(47,950)</u>	<u>(30,238)</u>	<u>17,712</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	36,950	36,950	30,861	(6,089)
Transfers To Other Funds	<u>          </u>	<u>          </u>	<u>(6,611)</u>	<u>(6,611)</u>
Total Other Adjustments to Cash (Uses)	<u>36,950</u>	<u>36,950</u>	<u>24,250</u>	<u>(12,700)</u>
Net Change in Fund Balance	(1,000)	(11,000)	(5,988)	5,012
Fund Balance - Beginning	<u>1,000</u>	<u>1,000</u>	<u>362,782</u>	<u>361,782</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (10,000)</u>	<u>\$ 356,794</u>	<u>\$ 366,794</u>

**HARRISON COUNTY  
NOTES TO REGULATORY SUPPLEMENTARY  
INFORMATION - BUDGETARY COMPARISON SCHEDULES**

**June 30, 2017**

**Note 1. Budgetary Information**

Annual budgets are adopted on a regulatory basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board and according to the laws of Kentucky as required by the state local finance officer.

The county judge/executive is required to submit estimated receipts and proposed disbursements to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the state local finance officer. Disbursements may not exceed budgeted appropriations at the activity level.

**Note 2. Excess of Disbursements Over Appropriations**

Road fund roads exceeded budgeted appropriations by \$161,848 because of lease proceeds and a subsequent purchase that were not included in the original budget.



**HARRISON COUNTY  
SCHEDULE OF CAPITAL ASSETS  
Supplementary Information - Regulatory Basis**

**For The Year Ended June 30, 2017**

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**HARRISON COUNTY**  
**SCHEDULE OF CAPITAL ASSETS**  
**Supplementary Information - Regulatory Basis**

**For The Year Ended June 30, 2017**

The fiscal court reports the following Schedule of Capital Assets:

	Balance (*Restated)	Additions	Deletions	Ending Balance
Land	\$ 488,500	\$	\$	\$ 488,500
Land Improvements*	441,628			441,628
Buildings*	7,776,788			7,776,788
Vehicles*	2,085,863	59,008		2,144,871
Other Equipment*	1,111,296	433,868	58,500	1,486,664
Infrastructure*	27,168,937	1,162,773		28,331,710
Total Capital Assets	<u>\$ 39,073,012</u>	<u>\$ 1,655,649</u>	<u>\$ 58,500</u>	<u>\$ 40,670,161</u>

**HARRISON COUNTY  
NOTES TO REGULATORY SUPPLEMENTARY  
INFORMATION - SCHEDULE OF CAPITAL ASSETS**

**June 30, 2017**

**Note 1. Capital Assets**

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported as other information. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

	<u>Capitalization Threshold</u>	<u>Useful Life (Years)</u>
Land Improvements	\$ 5,000	10-60
Buildings	\$ 5,000	10-75
Other Equipment	\$ 5,000	3-25
Vehicles	\$ 5,000	3-25
Infrastructure	\$ 5,000	10-50

**Note 2. Restatement of Capital Assets Beginning Balance**

Land & building improvements beginning balance was restated by \$266,519, buildings beginning balance was restated by (\$266,519), vehicles beginning balance was restated by (\$389,527), other equipment beginning balance was restated by \$61,165, and infrastructure beginning balance was restated by \$867,445 due to errors and omissions in prior years.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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**MIKE HARMON**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Alex Barnett, Harrison County Judge/Executive  
Members of the Harrison County Fiscal Court

Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With *Government Auditing Standards*

Independent Auditor's Report

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Harrison County Fiscal Court for the fiscal year ended June 30, 2017, and the related notes to the financial statement which collectively comprise the Harrison County Fiscal Court's financial statement and have issued our report thereon dated April 26, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statement, we considered the Harrison County Fiscal Court's internal control over financial reporting (internal control) to determine audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Harrison County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Harrison County Fiscal Court's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Report On Internal Control Over Financial Reporting  
And On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With *Government Auditing Standards*  
(Continued)

**Compliance And Other Matters**

As part of obtaining reasonable assurance about whether the Harrison County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike Harmon", with a long horizontal line extending to the right.

Mike Harmon  
Auditor of Public Accounts

April 26, 2018